GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:286
ANSWERED ON:10.08.2001
LOAN REPAYMENT LIABILITY OF STATES
VSM (RETD.) COL. CHOUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether the loan repayment liability of the States is very significant and a heavy burden on them;

(b) if so, the broad reasons for this increase in the loan liability;

(c) whether the Government are considering to convert all outstanding loans into a block loan and to re-calculate/reduce interest on this block loan at prevailing bank rates;

(d) whether the Government are also considering to announce a moratorium of five years for repayment of principal on this block loan and one more year for the interest; and

(e) if so, the time by which final decision is likely to be taken?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.286 FOR ANSWE ON 10TH AUGUST,2001 REGARDING ` LOAN REPAYMENT LIABILITY OF STATES`.

(a) & (b): The repayment liability of States depends on outstanding amount of debt of the State Governments. As per the Eleventh Finance Commission`s Report, the outstanding long-term debt of State Governments has increased from Rs.37,406 crores as on 31.03.1984 to Rs.334,666 crores as on 31.03.99. The increased stock of debt reflects the growing gap between States` revenues and expenditure.

(c) to (e): Finance Commission within its terms of reference reviews the debt position of the States while making its recommendation for transfer to States. The Eleventh Finance Commission, has recommended transfer of funds to States and also a scheme for debt relief as a part of its Report. The recommendations of the Eleventh Finance Commission have been accepted by the Government of India. There is no provision for selective reopening of debt relief beyond the recommendations made by Eleventh Finance Commission.